

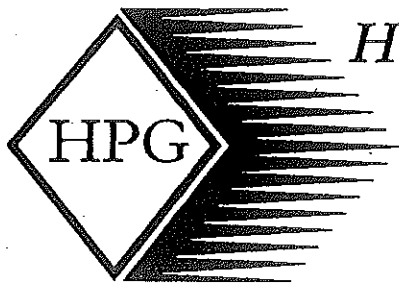
Report On Audit

**HOUSING AUTHORITY OF THE
COUNTY OF MORRIS**

**For the Year Ended
December 31, 2014**

Housing Authority of the County of Morris
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Morris (a governmental public corporation) in Morris County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2014, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the County of Morris's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Morris's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the County of Morris as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and pages 50-51 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other financial and statistical information have not been subjected to the auditing procedures in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated June 25, 2015 on our consideration of the Housing Authority of the County of Morris's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: June 25, 2015

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

As Management of the Housing Authority of the County of Morris (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Net position of the Authority's enterprise fund was \$22,513,158 greater than the liabilities, a decrease in the financial position of \$317,886 or 1% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$22,513,158 as of December 31, 2014. Of this amount, the unrestricted net position is \$3,042,895 representing an increase of \$191,465 or 7% percent from the previous year. The net investment in capital assets decreased \$443,621 or 2% percent for an ending balance of \$18,768,775. The restricted net position decreased \$65,730 from the previous year for an ending balance of \$701,488. Additional information on the Authority's restricted and unrestricted net positions can be found in Note 18 & Note 19 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2014 is \$1,053,349 representing a decrease of \$498,323 or 32% percent from the prior year. Total restricted cash decreased \$102,756 or 9% percent for an ending balance of \$1,040,102. The full detail of these amounts can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets are \$27,344,017 of which capital assets net book value is \$22,462,148, leaving total current assets at \$4,881,869. Total current assets increased from the previous year by \$72,672 or 2% percent. Unrestricted cash and cash equivalents decreased by \$498,323, restricted cash and cash equivalents decreased \$102,756, account's receivables increased by \$36,688, and investments increased by \$637,063.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$547,874 or 2% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$554,568, less the recording of depreciation expense in the amount of \$1,102,442. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 7 Fixed Assets.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's total liabilities are reported at \$4,830,859, of which noncurrent liabilities are stated at \$4,007,013. Total liabilities decreased during the year as compared to the prior year in the amount of \$157,316, or 3% percent. Total current liabilities decreased during the year by \$110,601, leaving non-current liabilities for a decrease of \$46,715 as compared to the previous year.

Total current liabilities decreased from the previous year by \$110,601 or 12% percent. Accounts payables decreased by \$208,661, mainly due to decreases in vendor payables. Accrued liabilities increased by \$62,818, tenant security deposit payable increased by \$5,035, unearned revenue decreased \$2,704, current portion of long term debt increased by \$8,639, and other current liabilities increased \$24,272.

Total noncurrent liabilities decreased by \$46,715 or 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$156,416, with no offsetting assets, decreased \$14,363 from the previous year. Long-term debt (mortgage payable) decreased \$112,892 for an ending balance of \$3,580,480, and other noncurrent liabilities increased \$80,540 or 42% percent.

The Authority had total operating revenue of \$10,521,234 as compared to \$10,124,242 from the prior year for an increase of \$396,992 or 4% percent. The Authority had total operating expenses of \$11,235,153 as compared to \$10,984,972 from the previous year for an increase of \$250,181 or 2% percent, resulting in a deficiency of revenue from operations in the amount of \$713,919 for the current year as compared to excess expenses over revenue from operations in the amount of \$860,730 for a decrease in expenses over revenue of \$146,811 or 17% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$258,241 as compared to \$189,577 from the previous year for an increase of \$68,664 or 36% percent.

The Authority had capital outlays in the amount of \$554,568 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$258,241 with the excess coming from the Authority's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 7 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$7,894,517 for the year 2014 as compared to \$7,554,560 for the previous year 2013 for an increase of \$339,957 or 5% percent.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Rural Development (RD) Programs
5. State - Congregate Housing Services Program
6. Resident Opportunity and Supportive Services

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 48.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 49 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

- 2. Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the County of Morris are those which equal or exceeded \$300,000 in expenditures for the year ended December 31, 2014. Type B programs for the Housing Authority of the County of Morris are those which are less than \$300,000 in expenditures for the year ended December 31, 2014.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 50 the Section Eight Housing Choice Voucher Program on page 51.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2014 and December 31, 2013:

	<u>Year Ended</u>		<u>Increase</u>
	<u>December-14</u>	<u>December-13</u>	<u>(Decrease)</u>
Cash	\$ 2,093,451	\$ 2,694,530	\$ (601,079)
Other Current Assets	2,788,418	2,114,667	673,751
Capital Assets - Net	22,462,148	23,010,022	(547,874)
Total Assets	27,344,017	27,819,219	(475,202)
Less: Current Liabilities	(823,846)	(934,447)	110,601
Less: Non Current Liabilities	(4,007,013)	(4,053,728)	46,715
Net Position	<u>\$ 22,513,158</u>	<u>\$ 22,831,044</u>	<u>\$ (317,886)</u>
Net Investment in Capital Assets	\$ 18,768,775	\$ 19,212,396	\$ (443,621)
Restricted Net Position	701,488	767,218	(65,730)
Unrestricted Net Position	3,042,895	2,851,430	191,465
Net Position	<u>\$ 22,513,158</u>	<u>\$ 22,831,044</u>	<u>\$ (317,886)</u>

Cash decreased by \$601,079 or 22% percent. Net cash provided by operating activities was \$308,100, net cash used by capital and related financing activities was \$286,643, and net cash used by investing activities was \$622,536. The full detail of this amount can be found in the Statement of Cash Flow on page 21-22 of this audit report.

The changes in other current assets included account receivable increasing \$36,688, and investments increasing \$637,063.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$547,874 or 2% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$554,568, less the recording of depreciation expense in the amount of \$1,102,442. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note – 7 Fixed Assets.

Total current liabilities decreased from the previous year by \$110,601 or 12% percent. Accounts payables decreased by \$208,661, mainly due to decreases in vendor payables. Accrued liabilities increased by \$62,818, tenant security deposit payable increased by \$5,035, unearned revenue decreased \$2,704, current portion of long term debt increased by \$8,639, and other current liabilities increased \$24,272.

Total noncurrent liabilities decreased by \$46,715 or 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$156,416, with no offsetting assets, decreased \$14,363 from the previous year. Long-term debt (mortgage payable) decreased \$112,892 for an ending balance of \$3,580,480, and other noncurrent liabilities increased \$80,540 or 42% percent.

The Authority's reported net position of \$22,513,158 is made up of three categories. The net investment in capital assets in the amount of \$18,768,775 represents 83% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2013	19,212,396
Acquisition in Fixed Assets	554,568
Depreciation Expense	(1,102,442)
Financing Cost	104,253
Balance December 31, 2014	<u>18,768,775</u>

The Housing Authority of the County of Morris operating results for December 31, 2014 reported an increase in unrestricted net position of \$191,465 or 7% percent for an ending balance of \$3,042,895. The Authority reported restricted net position in the amount of \$701,488 which decreased \$65,730 or 9% percent compared to the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Notes – 18 & 19.

The amount of Housing Choice Voucher program HUD held reserve balance as of December 31, 2014 is \$301,992. Additional information on these funds can be found in Note 18 Restricted Net Position. At the end of the current year, the Authority is able to report positive balances in the three categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2014 and December 31, 2013:

	<u>Year Ended</u>		Increase
	<u>December-14</u>	<u>December-13</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 2,047,946	\$ 1,932,725	\$ 115,221
HUD Subsidies	7,636,276	7,364,983	271,293
Other Revenues	837,012	826,534	10,478
Total Operating Income	10,521,234	10,124,242	396,992
<u>Expenses</u>			
Operating Expenses	10,132,711	9,895,347	237,364
Depreciation Expense	1,102,442	1,089,625	12,817
Total Operating Expenses	11,235,153	10,984,972	250,181
Operating Income before Non Operating Income	(713,919)	(860,730)	146,811
Investment Income	14,527	13,030	1,497
Extraordinary Maintenance	-	(35,584)	35,584
HUD Capital Grants	258,241	189,577	68,664
Change in Net Position	(441,151)	(693,707)	252,556
Net Position Prior Year	22,831,044	23,722,797	(891,753)
Prior Period Adjustment	123,265	(198,046)	321,311
Total Net Position	\$ 22,513,158	\$ 22,831,044	\$ (317,886)

Approximately 73% percent of the Authority's total revenue was provided by HUD operating subsidy, while 19% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 8% percent of the total operating income.

The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of \$258,241 as compared to \$185,977 for the previous year. The Authority had capital expenditures of \$554,568. The current year additions included new computers, floor replacements, electrical upgrades, washers and dryers, paving and curbing, ranges and refrigerators, and new generators.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 52% percent of total operating expenses. Administrative expenses accounted for 14% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 11% percent, other operating expenses accounted for 7% percent, and depreciation accounted for the remaining 10% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$713,919 from operations as compared to excess expenses over revenue from operations of \$860,730 for the previous year. The key elements for the decrease in deficit in comparison to the prior year are as follow:

- Overall the Authority's Operating Revenue increased \$396,992 or 4% percent as listed below:
 - The Authority experienced an increase in HUD operating grants in the amount of \$271,293, or 4% percent.
 - Tenant rental revenue increased \$115,221 or 6% percent and fraud recovery increased \$27,554 or 32% percent.
 - Other revenue decreased \$21,767 or 3% percent.
- Administrative expenses decreased \$43,272 or 3% percent.
- Other operating expenses decreased \$37,387 or 6% percent.
- Maintenance expenses showed an increase of \$200,329 mainly due to the harsh winter as well as unplanned maintenance repairs for sink holes.

Total net cash provided by operating activities during the year was \$308,100. A full detail of this amount can be found on the Statement of Cash Flow on page 21-22 of this report.

Overall the Authority reported an increase in unrestricted net position of \$191,465 or an increase of 7% percent for an ending balance of \$3,042,895. Additional information on the Authority's unrestricted net position can be found in Note 19 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on December 31, 2014:

	December-14	December-13	December-12	December-11
Significant Income				
Total Tenant Revenue	\$ 2,047,946	\$ 1,932,725	\$ 1,872,288	\$ 1,891,858
HUD Operating Grants	7,636,276	7,364,983	7,639,630	7,709,890
HUD Capital Grants	258,241	189,577	84,702	692,675
Investment Income	14,527	13,030	13,809	17,202
Other Income	837,012	826,534	840,279	965,551
Total	<u>\$ 10,794,002</u>	<u>\$ 10,326,849</u>	<u>\$ 10,450,708</u>	<u>\$ 11,277,176</u>
Payroll Expense				
Administrative Salaries	\$ 1,052,968	\$ 1,017,766	\$ 996,119	\$ 943,992
Tenant Services Salaries	34,212	60,446	28,335	82,783
Utilities Labor	63,161	60,330	59,266	76,620
Maintenance Labor	258,307	256,776	242,148	295,110
Employee Benefits Expense	431,056	427,918	445,363	454,823
Total Payroll Expense	<u>\$ 1,839,704</u>	<u>\$ 1,823,236</u>	<u>\$ 1,771,231</u>	<u>\$ 1,853,328</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 265,742	\$ 304,455	\$ 305,520	\$ 326,376
Utilities Expense	634,547	613,229	565,138	617,036
Maintenance Materials Cost	109,945	148,951	113,306	65,921
Maintenance Contract Cost	775,685	567,968	538,023	669,799
Insurance Premiums	138,416	161,565	155,045	166,688
Housing Assistance Payments	5,892,117	5,794,060	5,408,773	6,043,119
Total	<u>\$ 7,816,452</u>	<u>\$ 7,590,228</u>	<u>\$ 7,085,805</u>	<u>\$ 7,888,939</u>
Total Operating Expenses	<u>\$ 11,235,153</u>	<u>\$ 10,984,972</u>	<u>\$ 10,915,051</u>	<u>\$ 11,885,158</u>
Total of Federal Awards	<u>\$ 7,894,517</u>	<u>\$ 7,554,560</u>	<u>\$ 7,724,332</u>	<u>\$ 8,402,565</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public Housing Program

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% percent of the family's adjusted monthly income, (b) 10% percent of the family's monthly income, or (c) the Housing Authority of the County of Morris flat rent amount.

Housing Choice Voucher Program and the N/C - S/R Section 8 Program

Under the Housing Choice Voucher Program and the N/C - S/R Section 8 program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

Capital Fund Program

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

Rural Development (RD) Programs

The RD programs consist of two projects. The Morris Mews project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2014, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 50 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 51 of this report.

NEW INITIATIVES

For the year 2014 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 73% percent of its revenue from the Department of Housing and Urban Development, (2013 was 73% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the County of Morris all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 - Capital Assets

The Authority's investment in capital assets as of December 31, 2014 was \$22,462,148 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$547,874 or 2% percent. Major capital expenditures of \$554,568 were made during the year. Major capital assets events during the year included the following:

- Ranges and Refrigerators
- Washers and Dryers
- New Flooring
- Paving and Curbing
- Generators
- Electrical Upgrades
- Computer Upgrades

	December-14	December-13	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	38,908,350	37,851,402	1,056,948
Furniture, Equipment - Dwelling	979,451	921,839	57,612
Furniture, Equipment - Administration	442,298	434,387	7,911
Leasehold Improvements	-	152,457	(152,457)
Construction in Process	482,730	898,176	(415,446)
Total Fixed Assets	42,548,198	41,993,630	554,568
Accumulated Depreciation	(20,086,050)	(18,983,608)	(1,102,442)
Net Book Value	\$ 22,462,148	\$ 23,010,022	\$ (547,874)

Additional information on the Authority's capital assets can be found in Note 7 to the financial statements, which is included in this report.

2 - Debt Administration

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at \$-0- at the end of the fiscal year, with Capital Project Bond payable of \$170,000 in outstanding debt. A full disclosure of loans payable at December 31, 2014 can be found in Note-16.

b. RD provided mortgages of \$3,716,803 and \$701,974 for the Morris Mews and Congregate Housing Program respectively. The Morris Mews mortgage is for 50 years at 9% percent interest and monthly payments of \$29,308. The balance outstanding at December 31, 2014 was \$2,934,231. The Congregate Housing Program is for 40 years at 7.25% percent which is subsidized by Rural Development. The monthly payments are \$1,778 and the balance outstanding at December 31, 2014 was \$589,142.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of County of Morris is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2015 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2015.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roberta L. Strater, Executive Director, Housing Authority of the County of Morris, 99 Ketch Road, Morristown, N.J. 07960, or call (973)540-0389.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -1
AS OF DECEMBER 31, 2014

	December 31, 2014
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 1,053,349
Cash and Cash Equivalents - Restricted	1,040,102
Accounts Receivables, Net of Allowances	105,460
Investments	2,682,958
Total Current Assets	<u>4,881,869</u>
Noncurrent Assets	
Capital Assets	
Land	1,735,369
Building	38,908,350
Furniture, Equipment - Dwelling	979,451
Furniture, Equipment - Administration	442,298
Leasehold Improvements	-
Construction in Process	482,730
Total Capital Assets	<u>42,548,198</u>
Less: Accumulated Depreciation	<u>(20,086,050)</u>
Net Book Value	<u>22,462,148</u>
Total Noncurrent Assets	<u>22,462,148</u>
Total Assets	<u>27,344,017</u>
Deferred Outflow of Resources	
Total Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflow of Resources	<u><u>\$ 27,344,017</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2014

December 31,
2014

Liabilities

Current Liabilities:

Accounts Payable	\$ 339,660
Accrued Liabilities	110,356
Tenant Security Deposit Payable	191,098
Unearned Revenue	96
Mortgage Payable - Current Portion	112,893
Other Current Liabilities	69,743
Total Current Liabilities	<u>823,846</u>

Noncurrent Liabilities

Mortgage Payable - Long Term	3,580,480
Other Noncurrent Liabilities	270,117
Accrued Compensated Absences - Long-Term	156,416
Total Noncurrent Liabilities	<u>4,007,013</u>

Total Liabilities

4,830,859

Deferred Inflow of Resources

Total Deferred Inflow of Resources

Net Position:

Net Investments in Capital Assets	18,768,775
Restricted Net Position	701,488
Unrestricted Net Position	3,042,895
Total Net Position	<u>22,513,158</u>

Total Liabilities, Deferred Inflow of Resources, and Net Position

\$ 27,344,017

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

	December 31, 2014
Revenue:	
Tenant Rental Revenue	\$ 2,047,946
HUD PHA Operating Grants	7,636,276
Other Governmental Grants	51,704
Fraud Recovery	113,213
Other Revenue	672,095
Total Revenue	<u>10,521,234</u>
Operating Expenses:	
Administrative Expense	1,588,047
Tenant Services	71,702
Utilities Expense	726,131
Maintenance Expense	1,267,725
Other Operating Expenses	586,989
Housing Assistance Payments	5,892,117
Depreciations Expense	1,102,442
Total Operating Expenses	<u>11,235,153</u>
Excess Expenses Over Revenue From Operations	<u>(713,919)</u>
Non Operating Income and (Expenses):	
Investment Income	14,527
Total Non Operating Income	<u>14,527</u>
Excess Expenses Before Capital Grant Contributions	(699,392)
Capital Grant Contributions	<u>258,241</u>
Change in Net Position	<u>(441,151)</u>
Beginning Net Position	22,831,044
Prior Period Adjustments	123,265
Beginning Net Position, Restated	<u>22,954,309</u>
Ending Net Position	<u><u>\$ 22,513,158</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

	December 31, 2014
Cash Flow From Operating Activities	
Receipts from Tenants	\$ 2,053,509
Receipts from Federal Grants	7,631,812
Receipts from Other Grants	51,704
Receipts from Misc. Sources	785,308
Payments to Vendors and Suppliers	(1,847,865)
Payments for Housing Assistance Payments	(5,892,117)
Payments to Employees	(1,408,648)
Payment of Employee Benefits	(431,056)
Payments for Utilities	(634,547)
Net Cash Provided by Operating Activities	<u>308,100</u>
Cash Flow From Capital and Related Financing Activities	
Receipts from Capital Grants	258,241
Principal Paid on Debt	(104,253)
Acquisitions and Construction of Capital Assets	(554,568)
Receipt from Tenant Security Deposit	5,035
Decrease in Compensated Absences	(14,363)
Prior Period Adjustment - Net Cash	123,265
Net Cash (Used) by Capital and Related Financing Activities	<u>(286,643)</u>
Cash Flow From Investing Activities	
Interest Income	14,527
Purchase of Investments	(637,063)
Net Cash (Used) by Investing Activities	<u>(622,536)</u>
Net (Decrease) in Cash and Cash Equivalents	(601,079)
Beginning Cash	<u>2,694,530</u>
Ending Cash	<u><u>\$ 2,093,451</u></u>
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 1,053,349
Tenant Security Deposit	191,098
HAP Reserve	40,924
Rural Housing Reserve	136,015
Morris Mews Reserves	401,948
FSS Participants	270,117
Total Ending Cash	<u><u>\$ 2,093,451</u></u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW -2
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

	December 31, 2014
Reconciliation of Operating Income to Net Cash	
(Used) by Operating Activities	
Excess of Expense Over Revenue - Operations	\$ (713,919)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense - net of adjustments	1,102,442
(Increase) Decrease in:	
Accounts Receivables	(36,688)
Prepaid Expenses	-
Increase (Decrease) in:	
Accounts Payable	(208,661)
Accrued Liabilities	62,818
Other Current Liabilities	24,272
Unearned Revenue	(2,704)
Other Non Current Liabilities	80,540
Net Cash Provided by Operating Activities	<u>\$ 308,100</u>
Interest expense paid during the year	<u>\$ 320,513</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the County of Morris in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the County of Morris. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Board of Chosen Freeholders of Morris County, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the County of Morris reporting entity.

Based on the following criteria, the Authority has not identified an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" addresses the applicability of the various FASB's, and allows several options in the use of the FASB's. The Authority has elected to use Alternative 2 of GASB-20 which states that "a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Authority follows GASB-45-"Accounting for Pensions by State and Local Governmental Employers."

Basis of Accounting –

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. All assets, liabilities, net position, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

In Enterprise fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Basis of Accounting - Continued

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the County of Morris's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Basis of Accounting – Continued

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

Report Presentation -

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No.38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Report Presentation - Continued

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Other accounting policies - Continued

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 - The Authority does not have any infrastructure assets for its Enterprise Fund.

10 - Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Advertising cost is charged to expense when incurred.

12- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

13- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

14- When expenses are incurred where both restricted and unrestricted net assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Other accounting policies - Continued

15- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. The Authority submits its annual operating subsidy and capital budget to U.S. Department of Housing and Urban Development. Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 50 the Section Eight Housing Choice Voucher Program on page 51.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Activities - The only programs or activities administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
<u>Public Housing</u>			
Low Rent Public Housing	14.850	NJ92-1,2,3,5,7	304
Public Housing Capital Fund Program	14.872	NJ92	N/A
Resident Opportunity and Supportive Services	14.885	NJ92	N/A
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ39-VO92	634
N/C S/R Program - Section 8 Program	14.182	NJ39-SRO-92	100
<u>RD Programs</u>			
1- Morris Mews Development	10.427	35-14-22600-2462	101
2- Congregate Housing Development	10.427	35-14-22600-2462	19

Rural Development (RD) Programs:

The RD programs consist of two projects. The Morris Mews (N/C S/R) project has 100 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

- 1.) Project receives a HAP Subsidy from HUD. The project is referred to as Morris Mews.
- 2.) The Project receives a Rental Subsidy. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing.

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

- 1.) The ability of the Board to exercise supervision of a component unit's financial independence.
- 2.) The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
- 3.) The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
- 4.) The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
- 5.) The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 3 - PENSION PLAN - CONTINUED

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2014divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2014 amounted to \$154,371.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

The book balances at December 31, 2014 for unrestricted cash were \$1,053,349, restricted cash of \$1,040,102, and investments of \$2,682,958 as discussed below:

	December-14
Provident Bank	\$ 1,209,800
PNC Bank	480,361
Bank of America	401,948
Valley National	1,200
Wells Fargo	142
Union Center Bank	2,682,958
Total Cash, Cash Equivalents, and Investments	<u>\$ 4,776,409</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The Authority has total restricted cash at December 31, 2014 in the amount of \$1,040,102 which consists of the following:

	<u>December-14</u>
Tenant Security Deposit	\$ 191,098
HAP Reserve	40,924
Rural Housing Reserve	136,015
Morris Mews Reserves	401,948
FSS Participants	270,117
Total Restricted Cash, Cash Equivalents	<u>\$ 1,040,102</u>

The tenant security deposit restricted cash at December 31, 2014 was in the amount of \$191,098. These amounts were held as security deposits for tenants of the Low Income Housing program, Rural Housing Program, and Morris Mews in interest bearing accounts at Provident Bank.

Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2014, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities. The Authority's checking accounts are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>December-14</u>
Insured	\$ 1,001,342
Collateralized held by pledging bank's trust department in the Authority's name	3,775,067
Total Cash, Cash Equivalents, and Investments	<u>\$ 4,776,409</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 5 - ACCOUNTS RECEIVABLE

The Housing Authority of the County of Morris carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Accounts Receivable at December 31, 2014 consisted of the following:

	<u>December-14</u>
Tenants Accounts Receivable - Present	\$ 15,370
Less Allowance for Doubtful Accounts	<u>(6,866)</u>
Net Tenants Accounts Receivable	<u>8,504</u>
 Accounts Receivable - Tenants Fraud Recovry	81,543
Less Allowance for Doubtful Accounts	<u>(65,098)</u>
Net Accounts Receivable - Fraud Recovery	<u>16,445</u>
 Accounts Receivable - State of New Jersey	28,702
Accounts Receivable - Local Government Agencies	20,990
Accounts Receivable - HUD	4,464
Accounts Receivable - Morris County	<u>26,355</u>
Total Other Receivables	<u>80,511</u>
 Total Accounts Receivable	<u>\$ 105,460</u>

NOTE 6 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2014 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 7 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the County of Morris has given consideration to the GASBS #42, Accounting for the Impairment or Disposal of Long-Lived Assets, in the preparation of these financial statements. The carrying value of long-live assets in accordance with GASBS #42, when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at December 31, 2014.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2014:

	December-13	Additions	Disposal	Transfer	December-14
Land	\$ 1,735,369	\$ -	\$ -	\$ -	\$ 1,735,369
Building	37,851,402	240,804	-	816,144	38,908,350
Furniture, Equipment - Dwelling	921,839	57,612	-	-	979,451
Furniture, Equipment - Administration	434,387	7,911	-	-	442,298
Leasehold Improvements	152,457	-	-	(152,457)	-
Construction in Process	898,176	248,241	-	(663,687)	482,730
Total Fixed Assets	41,993,630	554,568	-	-	42,548,198
Accumulated Depreciation	(18,983,608)	(1,102,442)	-	-	(20,086,050)
Net Book Value	\$ 23,010,022	\$ (547,874)	\$ -	\$ -	\$ 22,462,148

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 7 - FIXED ASSETS - CONTINUED

<u>Net Book Value</u>	<u>December-14</u>
Land	\$ 1,735,369
Building	20,029,260
Furniture, Equipment - Dwelling	214,789
Furniture, Equipment - Administration	-
Construction in Process	482,730
Net Book Value	<u>\$ 22,462,148</u>

NOTE 8 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of December 31, 2014. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable at December 31, 2014 in the amount of \$339,660 consist of the following:

	<u>December-14</u>
Accounts Payable Vendors	\$ 235,164
Accounts Payable - P.I.L.O.T.	104,496
Total Accounts Payable	<u>\$ 339,660</u>

NOTE 9 - ACCOUNTS PAYABLE - OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. PILOT payable at December 31, 2014 consist of the following:

	<u>December-14</u>
Balance Beginning of Year	\$ 99,358
P.I.L.O.T. Accrued	104,496
Less Payments Made	(99,358)
Total P.I.L.O.T. Payable	<u>\$ 104,496</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 10 - ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities covering expenses incurred on or before December 31. Accrued expenses at December 31, 2014 consisted of the following:

	<u>December-14</u>
Accrued Interest Payable	\$ 27,868
Accrued Wages / Payroll Taxes Payable	16,831
Compensated Absences - Current Portion	17,380
Accrued Expenses - Other	48,277
Total Accrued Liabilities	<u>\$ 110,356</u>

NOTE 11 - ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

	<u>December-14</u>
Accumulated Sick Time	\$ 34,692
Accumulated Vacation Time	125,488
Accrued Payroll Taxes	13,616
Total	<u>173,796</u>
Compensated Absences - Current Portion	<u>(17,380)</u>
Total Compensated Absences - Noncurrent	<u>\$ 156,416</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 12 - UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue account balance at December 31, 2014 is \$96 which consisted of prepaid rents for January 2015.

NOTE 13 - OTHER CURRENT LIABILITIES

The Authority reported other current liabilities on its Statement of Net Position for December 31, 2014 in the amount of \$69,743. Other current liabilities are for expenses incurred on or before December 31. These liabilities consisted of accrued amounts owed to Horizon for employee insurance as of December 31, 2014.

NOTE 14 - NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority administers a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2014 is \$270,117 which was accounted for in Note 4.

NOTE 15 - LONG TERM DEBT

At December 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 16 - LONG TERM DEBT

The Authority has three (3) loans outstanding at December 31, 2014. The details are as follows:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	\$ 2,842,908	\$ 91,323	\$ 2,934,231
Congregate Housing Project	577,572	11,570	589,142
Capital Fund Bond Leveraging	160,000	10,000	170,000
Total Loans Outstanding	<u>\$ 3,580,480</u>	<u>\$ 112,893</u>	<u>\$ 3,693,373</u>

A - Morris Mews Project (N/C S/R Section 8 Programs)

Fixed liabilities on the Morris Mews Project represent a loan from RD in the original amount of \$3,716,803, at an interest rate of nine percent (9%). The loan is to be repaid over fifty (50) years with monthly payments of \$23,817, later revised to \$29,308, which began October 1, 1981, and is collateralized, by the buildings and their contents, along with all accounts receivable and bank accounts of the Morris Mews Project. The balance outstanding at December 31, 2014 was \$2,934,231 and is current.

The debt service requirement, as to principal reduction of the mortgage, is as follows:

Year	Principal	Interest	Total Payment
2015	91,323	260,375	351,698
2016	99,890	251,808	351,698
2017	109,261	242,437	351,698
2018	119,510	232,188	351,698
2019	130,721	220,977	351,698
Subtotal	550,705	1,207,785	1,758,490
2020-2024	862,228	896,262	1,758,490
2025-2029	1,349,974	408,516	1,758,490
2030	171,324	4,525	175,849
Total	<u>\$ 2,934,231</u>	<u>\$ 2,517,088</u>	<u>\$ 5,451,319</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2014

NOTE 16- LONG TERM DEBT- CONTINUED

B- Congregate Housing Program (Rural Rental Assistance Payments)

Fixed Liabilities in the Congregate Housing Program represent a loan from RD in the original amount of \$700,000 and capitalized interest of \$1,974 for a total mortgage of \$701,974, at an interest of 7.25% for 40 years. RD provides an interest subsidy and the Authority's monthly payment is \$1,778, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Congregate Housing Program.

The balance at December 31, 2014 was \$589,142 and is current. The debt service requirement, as to principal reduction of the mortgage, is as follows:

Year	Principal	Interest	Total Payment
2015	11,570	42,333	53,903
2016	12,437	41,466	53,903
2017	13,369	40,534	53,903
2018	14,372	39,531	53,903
2019	15,449	38,454	53,903
Subtotal	67,197	202,318	269,515
2020-2024	96,449	173,066	269,515
2025-2029	138,439	131,076	269,515
2030-2034	198,708	70,807	269,515
2035-2036	88,349	5,990	94,339
Total	\$ 589,142	\$ 583,257	\$ 1,172,399

C- State Leveraging Capital Project Bond

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$500,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the County of Morris was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 16 - LONG TERM DEBT- CONTINUED

C- State Leveraging Capital Project Bond - Continued

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

Year	Principal	Interest	Total Payment
2015	10,000	8,005	18,005
2016	10,000	7,582	17,582
2017	10,000	7,155	17,155
2018	10,000	6,690	16,690
2019	10,000	6,190	16,190
Subtotal	\$ 50,000	\$ 35,622	\$ 85,622
2020-2024	70,000	21,458	91,458
2025-2027	50,000	3,932	53,932
Total	\$ 170,000	\$ 61,012	\$ 231,012

NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority does not have annual other postemployment benefit ("OPEB") cost. The Authority elected not to pay for any future retiree benefits other than current pension cost resulting in a zero amount to be reported for the GASB Statement No. 45 obligations.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 18 – RESTRICTED NET POSITION

The Authority restricted net position account balance at December 31, 2014 is \$701,488. The detail of the reserve account balances are as follows:

	HCV HAP			Morris	
	LIH Reserves	Reserve	Congregate	Mews	Total
Balance December 31, 2013	\$ -	\$ 229,474	\$ 135,933	\$ 401,811	\$ 767,218
Increase During the Year	122,601	-	82	137	122,820
Decrease During the Year	-	(188,550)	-	-	(188,550)
Balance December 31, 2014	\$ 122,601	\$ 40,924	\$ 136,015	\$ 401,948	\$ 701,488

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net position.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at December 31, 2014 was \$301,992.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2014

NOTE 19 - UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at December 31, 2014 is \$3,042,895. The detail of the account balance is as follows:

	Low Rent PH Reserves	HCV Reserve	Congregate Reserve	Morris Mews Reserves	Total
Balance December 31, 2013	\$ 1,182,887	\$ 183,836	\$ 100,923	\$ 1,383,784	\$ 2,851,430
Increase During the Year	72,312	57,638	34,141	27,374	191,465
Balance December 31, 2014	\$ 1,255,199	\$ 241,474	\$ 135,064	\$ 1,411,158	\$ 3,042,895

The entire amounts of the HCV Admin Reserves were Post 2003 Reserves.

NOTE 20 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2014 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2014 was in the amount of \$610,846.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the N/C S/R Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher program for December 31, 2014 were in the amount of \$5,823,509 and for the N/C S/R program \$922,966.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2014

NOTE 21 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2014, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

NOTE 22 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Governmental Accounting Standards Boards Statements (GASBS) requires disclosure in financial statements of a situation where one entity provides more than 10% percent of the audited entity's revenues. Total financial support by HUD was \$7,894,517 to the Authority which represents approximately 73% percent of the Authority's total revenue for the fiscal year December 31, 2014.

NOTE 23 - CONTINGENCIES

Litigation - At December 31, 2014, the Authority was not involved in any threatened litigation.

Grants Disallowances - The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2014

NOTE 24 – SUPPLEMENTAL INFORMATION – (RD)

- The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) in the United States of America.
- An evaluation of the system of internal control was performed. See Independent Auditors Report on Internal Controls.
- The Authority's accounting records were adequate with no recommendations for improvements were made.
- The Authority's physical control over assets was adequate.
- The Authority maintained financial compliance with the loan agreement.
- The financial reports included in the audit are in agreement with the Authority's accounting records.
- All financial records are adequate and suitable for examination.
- There were no unsatisfactory conditions disclosed by the audit.
- Deposit funds were in institutions insured by the Federal Government.
- Payments from operating accounts are disclosed and accurately represented.
- Reserve amount is current and there are no encumbrances.
- Tenant security deposit accounts are fully funded and are maintained in separate accounts.
- The Authority is exempt from Federal Income Tax.
- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.
- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes:
- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2014

NOTE 24 - SUPPLEMENTAL INFORMATION - (RD) - CONTINUED

- Insurance and Bonding at December 31, 2014 was:

Type	Coverage	Expiration Date
▪ Fidelity Bond	\$1,000,000	December 31, 2015
▪ Property Insurance	15,000,000	December 31, 2015
▪ Liability Insurance	5,000,000	December 31, 2015
▪ Workman's Comp.	5,000,000	December 31, 2015

- Morris Mews at December 31, 2014 and 2013 had Tenants Accounts Receivable of \$1,353 and \$12 and Prepaid Rents of \$96 for 2014 and \$181 for 2013.
- Congregate Housing Project at December 31, 2014 and 2013 had Tenants Accounts Receivable of \$264 and \$-0- respectively. Prepaid Rents at December 31, 2014 and 2013 were both \$-0-.
- Morris Mews has a contract with HUD under the Section 8 - New Construction Program. The Contract provides for annual housing assistance payments from HUD as a rental subsidy. The Congregate Housing Program has a contract with RD for Rental subsidy.
- Buildings and equipment are recorded at historical cost. Depreciation is computed by the straight line method on the basis of the useful life of the assets as follows:
 - Building and Improvements 40 years
 - Furniture and Fixtures 7 years
 - Automobile 5 years
- There are no other information that we believe are necessary for full disclosure.

NOTE 25 - PRIOR PERIOD ADJUSTMENT

For year ending December 31, 2014

The Authority had a prior period adjustment in the total amount of \$123,265 which consisted of amounts which were accrued in the prior fiscal year for health benefit expense which was deemed to be overstated. These amounts were accrued in current liabilities on the December 31, 2013 Audited Statement of Net Position. These amounts were written off.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2014

NOTE 26 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru June 25, 2015; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

<u>Program</u>	<u>CFDA #</u>	<u>Expenditures</u>
<u>Public Housing</u>		
Low Rent Public Housing	14.850	\$ 610,846
Public Housing Capital Fund Program	14.872	328,361
Resident Opportunity and Supportive Services	14.870	36,102
Subtotal		<u>975,309</u>
<u>Section 8</u>		
Housing Choice Vouchers	14.871	5,823,509
N/C S/R Program - Section 8 Program	14.182	922,966
Subtotal		<u>6,746,475</u>
<u>RD Programs</u>		
Rural Rental Assistance Payments	10.427	<u>172,733</u>
Total Awards		<u>\$ 7,894,517</u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Authority of the County of Morris. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Housing Authority of the County of Morris, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the County of Morris.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Note 3. Loans Outstanding:

The Housing Authority of the County of Morris had \$3,693,373 as a loan balance outstanding at December 31, 2014. Note 16 presented on pages 40-42 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 4. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the County of Morris did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 1,600,748	\$ 1,528,500	\$ 72,248
HUD PHA Operating Grants	680,966	514,250	166,716
Other Revenue	142,775	171,100	(28,325)
Total Revenue	2,424,489	2,213,850	210,639
Operating Expenses:			
Administration:			
Administrative Salaries	423,731	383,534	(40,197)
Audit Fee's	3,375	10,600	7,225
Employee Benefit Contributions	96,605	149,836	53,231
Other Operating Administrative Expenses	98,794	94,650	(4,144)
Total Administrative Expenses	622,505	638,620	16,115
Tenant Services:			
Tenant Services Salaries	-	40,132	40,132
Employee Benefit Contributions	-	15,679	15,679
Tenant Services Other	4,088	3,000	(1,088)
Total Tenant Services	4,088	58,811	54,723
Utilities:			
Water	80,641	77,769	(2,872)
Electricity	79,421	81,895	2,474
Gas	226,363	185,795	(40,568)
Labor	63,161	-	(63,161)
Employee Benefit Contributions	77,781	-	(77,781)
Sewer	28,423	65,000	36,577
Total Utilities	555,790	410,459	(145,331)
Maintenance:			
Maintenance Labor	128,237	155,919	27,682
Materials	76,638	62,500	(14,138)
Maintenance Contract Cost	596,799	410,750	(186,049)
Employee Benefit Contributions	67,709	60,913	(6,796)
Total Maintenance	869,383	690,082	(179,301)
Other Operating Expenses:			
Insurance	89,765	115,000	25,235
Other General Expenses	713	7,500	6,787
Interest Expense	9,792	-	(9,792)
Payment in Lieu of Taxes	104,496	105,000	504
Collection Losses	8,833	5,000	(3,833)
Total Other Operating Expenses	213,599	232,500	22,734
Total Operating Expenses	2,265,365	2,030,472	(231,060)
Excess Revenue Over Expenses From Operations	159,124	183,378	(24,254)
Other Income and (Expenses):			
Site Improvements	(32,948)	(185,000)	(152,052)
Transfer to Restricted	(122,601)	-	122,601
Interest Income	6,832	3,500	(3,332)
Prior Period Adjustment	61,905	-	(61,905)
Total Other (Expenses) and Income	(86,812)	(181,500)	(32,783)
Excess Revenue over Expenses	\$ 72,312	\$ 1,878	\$ 70,434

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 5,178,392	\$ 5,361,175	\$ (182,783)
Ongoing Administrative Fees Earned	645,117	569,380	75,737
Other Income	613,704	62,500	551,204
Total Revenue	6,437,213	5,993,055	444,158
Operating Expenses:			
Administration:			
Administrative Salaries	454,899	377,624	(77,275)
Audit Fee's	4,000	4,000	-
Employee Benefit Contributions	98,460	147,273	48,813
Other Operating Administrative Expenses	115,798	130,500	14,702
Total Administrative Expenses	673,157	659,397	(13,760)
Other Operating Expenses:			
Insurance	11,017	11,000	(17)
Other General Expenses	14,018	-	(14,018)
Housing Assistance Payments	5,394,690	5,361,175	(33,515)
HAP Portability Payments	497,427	-	(497,427)
Total Other Operating Expenses	5,917,152	5,372,175	(544,977)
Total Operating Expenses	6,590,309	6,031,572	(558,737)
Excess Revenue Over Expenses From Operations	(153,096)	(38,517)	(114,579)
Other Income and (Expenses):			
Investment Income	378	750	(372)
Equipment Purchase - Administration	(2,550)	-	(2,550)
Prior Period Adjustment	24,356	-	24,356
Transfer In From Restricted Reserves	188,550	-	188,550
Total Other Income and (Expenses)	210,734	750	209,984
Excess Revenue over Expenses	\$ 57,638	\$ (37,767)	\$ 95,405

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2014

	NJ39P092501-11		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 62,000	\$ 62,000	\$ -
Administration	1,000	1,000	-
Fees & Costs	13,500	13,500	-
Site Improvements	23,515	23,515	-
Dwelling Structures	10,641	10,641	-
Dwelling Equipment	180,572	180,572	-
Bond Debt Obligation	19,234	19,234	-
Total	<u>\$ 310,463</u>	<u>\$ 310,463</u>	<u>\$ -</u>
Funds Advanced	\$ 310,463		
Funds Expended	310,463		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-11 was completed on November 5, 2014.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2014

Submission Type: Audited/A-133

	Project Total	10,427 Rural Rental Assistance Payments	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$444,360	\$157,866		\$269,767	\$181,356	\$0	\$1,053,349		\$1,053,349
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$122,601	\$136,015		\$188,440	\$401,948		\$849,004		\$849,004
114 Cash - Tenant Security Deposits	\$147,043	\$8,232			\$35,823		\$191,098		\$191,098
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$714,004	\$302,113	\$0	\$458,207	\$619,127	\$0	\$2,093,451	\$0	\$2,093,451
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$4,464						\$4,464		\$4,464
124 Accounts Receivable - Other Government				\$26,355		\$28,702	\$55,057		\$55,057
125 Accounts Receivable - Miscellaneous	\$20,990						\$20,990		\$20,990
126 Accounts Receivable - Tenants	\$13,753	\$264			\$1,353		\$15,370		\$15,370
128.1 Allowance for Doubtful Accounts - Tenants	\$-6,866	\$0			\$0		\$-6,866		\$-6,866
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$32,845			\$48,698			\$81,543		\$81,543
128.1 Allowance for Doubtful Accounts - Fraud	\$-16,400			\$-48,698			\$-65,098		\$-65,098
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$48,786	\$264	\$0	\$26,355	\$1,353	\$28,702	\$105,460	\$0	\$105,460
131 Investments - Unrestricted	\$1,313,385			\$395	\$1,369,178		\$2,682,958		\$2,682,958
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets									
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From	\$0				\$26,532		\$26,532	\$-26,532	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$2,076,175	\$302,377	\$0	\$484,957	\$2,016,190	\$28,702	\$4,908,401	\$-26,532	\$4,881,869
161 Land	\$1,735,369						\$1,735,369		\$1,735,369
162 Buildings	\$29,436,716	\$2,095,946			\$7,375,688		\$38,908,350		\$38,908,350
163 Furniture, Equipment & Machinery - Dwellings	\$331,574	\$71,110		\$156,964	\$419,803		\$979,451		\$979,451
164 Furniture, Equipment & Machinery - Administration	\$442,298						\$442,298		\$442,298
165 Leasehold Improvements									
166 Accumulated Depreciation	\$-14,293,948	\$-822,655		\$-118,035	\$-4,851,412		\$-20,086,050		\$-20,086,050
167 Construction in Progress	\$482,730						\$482,730		\$482,730
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$18,134,739	\$1,344,401	\$0	\$38,929	\$2,944,079	\$0	\$22,462,148	\$0	\$22,462,148

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	10,427 Rural Rental Assistance Payments	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets									
175 Investments in Joint Ventures									
180 Total Non-Current Assets	\$18,134,739	\$1,344,401	\$0	\$38,929	\$2,944,079	\$0	\$22,462,148	\$0	\$22,462,148
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$20,210,914	\$1,646,778	\$0	\$523,888	\$4,960,269	\$28,702	\$27,370,549	-\$26,532	\$27,344,017
311 Bank Overdraft									
312 Accounts Payable <= 90 Days									
313 Accounts Payable >90 Days Past Due	\$118,184	\$13,791		\$11,248	\$89,791	\$2,170	\$235,164		\$235,164
321 Accrued Wage/Payroll Taxes Payable	\$7,517	\$1,689		\$4,395	\$3,230		\$16,831		\$16,831
322 Accrued Compensated Absences - Current Portion	\$10,566			\$3,468	\$3,346		\$17,380		\$17,380
324 Accrued Contingency Liability									
325 Accrued Interest Payable	\$1,369	\$4,492			\$22,007		\$27,868		\$27,868
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$104,496						\$104,496		\$104,496
341 Tenant Security Deposits	\$147,043	\$8,232			\$35,823		\$191,098		\$191,098
342 Unearned Revenue					\$96		\$96		\$96
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$10,000	\$11,570			\$91,323		\$112,893		\$112,893
344 Current Portion of Long-term Debt - Operating Borrowings	\$47,973	\$3,094		\$4,721	\$18,676		\$69,743		\$69,743
345 Other Current Liabilities	\$43,556					\$26,532	\$48,277	-\$26,532	\$0
346 Accrued Liabilities - Other									
347 Inter Program - Due To									
348 Loan Liability - Current									
310 Total Current Liabilities	\$490,684	\$42,868	\$0	\$23,832	\$264,292	\$28,702	\$850,378	-\$26,532	\$823,846
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$160,000	\$577,572			\$2,842,908		\$3,580,480		\$3,580,480
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$122,601			\$147,516			\$270,117		\$270,117
354 Accrued Compensated Absences - Non Current	\$95,090			\$31,211	\$30,115		\$156,416		\$156,416
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2014

Submission Type: Audited/A-133

	Project Total	10,427 Rural Rental Assistance Payments	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
350 Total Non-Current Liabilities	\$377,691	\$577,572	\$0	\$178,727	\$2,873,023	\$0	\$4,007,013	\$0	\$4,007,013
300 Total Liabilities	\$868,375	\$620,440	\$0	\$202,559	\$3,137,315	\$28,702	\$4,857,391	-\$26,532	\$4,830,859
400 Deferred Inflow of Resources									
508.4 Net Investment in Capital Assets	\$17,964,739	\$755,259	\$0	\$38,929	\$9,848	\$0	\$18,768,775		\$18,768,775
511.4 Restricted Net Position	\$122,601	\$136,015	\$0	\$40,924	\$401,948	\$0	\$701,488		\$701,488
512.4 Unrestricted Net Position	\$1,255,799	\$135,064	\$0	\$241,474	\$1,411,158	\$0	\$3,042,895		\$3,042,895
513 Total Equity - Net Assets / Position	\$19,342,539	\$1,026,338	\$0	\$321,327	\$1,822,954	\$0	\$22,513,158	\$0	\$22,513,158
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$20,210,914	\$1,646,778	\$0	\$523,886	\$4,960,269	\$28,702	\$27,370,549	-\$26,532	\$27,344,017

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.192 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,600,748	\$80,304			\$366,894		\$2,047,946		\$2,047,946
70400 Tenant Revenue - Other									
70500 Total Tenant Revenue	\$1,600,748	\$80,304	\$0	\$0	\$366,894	\$0	\$2,047,946		\$2,047,946
70600 HUD PHA Operating Grants	\$680,966	\$172,733	\$36,102	\$5,823,509	\$922,966		\$7,636,276		\$7,636,276
70610 Capital Grants	\$258,241						\$258,241		\$258,241
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue									
70800 Other Government Grants	\$6,832	\$158		\$378	\$7,022	\$51,704	\$51,704		\$51,704
71100 Investment Income - Unrestricted							\$14,390		\$14,390
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$57,869			\$54,740	\$604		\$113,213		\$113,213
71500 Other Revenue	\$84,905	\$2,111		\$558,964	\$10,204	\$15,910	\$672,095		\$672,095
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted				\$0	\$137		\$137		\$137
70000 Total Revenue	\$2,689,562	\$255,306	\$36,102	\$6,437,591	\$1,307,827	\$67,614	\$10,794,002		\$10,794,002
91100 Administrative Salaries	\$423,731	\$23,249	\$25,260	\$454,899	\$125,829		\$1,052,968		\$1,052,968
91200 Auditing Fees	\$3,375	\$375		\$4,000	\$2,000		\$9,750		\$9,750
91300 Management Fee									
91310 Book-keeping Fee									
91400 Advertising and Marketing		\$446			\$980		\$1,426		\$1,426
91500 Employee Benefit Contributions - Administrative	\$96,605	\$6,146	\$10,842	\$98,460	\$57,284		\$269,337		\$269,337
91600 Office Expenses		\$2,025					\$2,025		\$2,025
91700 Legal Expense	\$28,856	\$1,612		\$32,249	\$4,300		\$67,017		\$67,017
91800 Travel									
91810 Allocated Overhead									
91900 Other	\$69,938	\$4,314		\$83,549	\$27,723		\$185,524		\$185,524
91000 Total Operating - Administrative	\$622,505	\$38,167	\$36,102	\$673,157	\$218,116	\$0	\$1,588,047		\$1,588,047
92000 Asset Management Fee									
92100 Tenant Services - Salaries						\$34,212	\$34,212		\$34,212

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	10,427 Rural Rental Assistance Payments	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$4,088					\$9,508	\$9,508		\$9,508
92500 Total Tenant Services	\$4,088	\$0	\$0	\$0	\$0	\$23,894	\$27,982		\$27,982
93100 Water	\$80,641	\$3,801			\$21,431	\$67,614	\$105,873		\$105,873
93200 Electricity	\$79,421	\$13,666			\$56,733		\$149,820		\$149,820
93300 Gas	\$226,363	\$10,596			\$3,915		\$240,874		\$240,874
93400 Fuel									
93500 Labor	\$63,161						\$63,161		\$63,161
93600 Sewer	\$77,781	\$8,645			\$48,986		\$135,412		\$135,412
93700 Employee Benefit Contributions - Utilities	\$28,423						\$28,423		\$28,423
93800 Other Utilities Expense		\$437			\$2,131		\$2,568		\$2,568
93900 Total Utilities	\$555,790	\$37,145	\$0	\$0	\$133,196	\$0	\$726,131		\$726,131
94100 Ordinary Maintenance and Operations - Labor	\$128,237	\$16,426			\$113,644		\$258,307		\$258,307
94200 Ordinary Maintenance and Operations - Materials and Other	\$76,638	\$7,268			\$26,039		\$109,945		\$109,945
94300 Ordinary Maintenance and Operations Contracts	\$596,799	\$43,356			\$135,530		\$775,685		\$775,685
94500 Employee Benefit Contributions - Ordinary Maintenance	\$67,709	\$4,342			\$51,737		\$123,788		\$123,788
94600 Total Maintenance	\$869,383	\$71,392	\$0	\$0	\$326,950	\$0	\$1,267,725		\$1,267,725
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95600 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance	\$89,765	\$3,148		\$11,017	\$34,486		\$138,416		\$138,416
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance									
96100 Total Insurance Premiums	\$89,765	\$3,148	\$0	\$11,017	\$34,486	\$0	\$138,416		\$138,416
96200 Other General Expenses	\$713			\$14,018			\$14,731		\$14,731
96210 Compensated Absences									
96300 Payments in Lieu of Taxes	\$104,496						\$104,496		\$104,496
96400 Bad debt - Tenant Rents	\$8,833						\$8,833		\$8,833
96500 Bad debt - Mortgages									
96500 Bad debt - Other									

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	10,427 Rural Rental Assistance Payments	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
96800 Sovereign Expense									
96900 Total Other General Expenses	\$114,042	\$0	\$0	\$14,018	\$0	\$0	\$128,060		\$128,060
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)	\$9,792	\$43,140			\$267,581		\$320,513		\$320,513
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$9,792	\$43,140	\$0	\$0	\$267,581	\$0	\$320,513		\$320,513
96900 Total Operating Expenses	\$2,265,365	\$192,992	\$36,102	\$698,192	\$980,329	\$67,614	\$4,240,594		\$4,240,594
97000 Excess of Operating Revenue over Operating Expenses	\$424,197	\$82,314	\$0	\$5,739,399	\$327,498	\$0	\$6,553,408		\$6,553,408
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments				\$5,394,690			\$5,394,690		\$5,394,690
97350 HAP Portability-In				\$497,427			\$497,427		\$497,427
97400 Depreciation Expense	\$824,202	\$58,184		\$9,995	\$210,061		\$1,102,442		\$1,102,442
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
98000 Total Expenses	\$3,089,567	\$251,176	\$36,102	\$6,600,304	\$1,190,390	\$67,614	\$11,235,153		\$11,235,153
10010 Operating Transfer In	\$69,247						\$69,247		\$69,247
10020 Operating Transfer Out	-\$69,247						-\$69,247		-\$69,247
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$400,005	\$4,130	\$0	-\$162,713	\$117,437	\$0	-\$441,151		-\$441,151

See accompanying notes to the financial statements

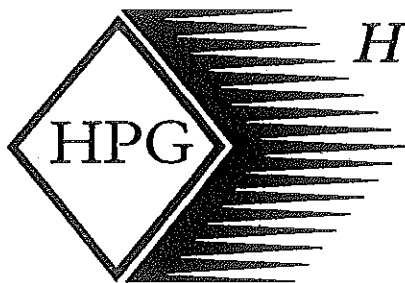
Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$10,000	\$10,763	\$0	\$0	\$83,491	\$0	\$104,254		\$104,254
11030 Beginning Equity	\$0	\$1,019,149	\$0	\$459,684	\$1,671,572	\$0	\$3,150,405		\$3,150,405
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$19,742,544	\$3,059		\$24,356	\$33,945		\$19,803,904		\$19,803,904
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity				\$280,403			\$280,403		\$280,403
11180 Housing Assistance Payments Equity				\$40,924			\$40,924		\$40,924
11190 Unit Months Available	3648	228		7608	1200		12684		12684
11210 Number of Unit Months Leased	3610	224		7607	1191		12632		12632
11270 Excess Cash	\$1,274,183						\$1,274,183		\$1,274,183
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$0						\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0		\$0
11650 Leasehold Improvements Purchases	\$248,241						\$248,241		\$248,241
11660 Infrastructure Purchases	\$0						\$0		\$0
13510 CFFP Debt Service Payments	\$10,000						\$10,000		\$10,000
13901 Replacement Housing Factor Funds	\$0						\$0		\$0



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Morris (hereafter referred to as the Authority), which comprise the statement of net position as of December 31, 2014 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the County of Morris's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Morris's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

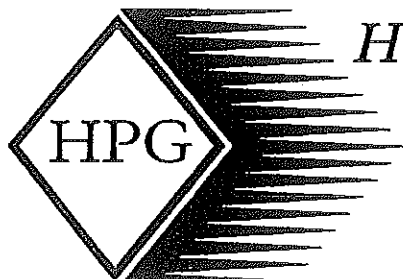
Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Morris's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Morris's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: June 25, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**(Unmodified Opinion on Compliance for Each Major Program:
No Material Weakness or Significant Deficiencies
in Internal Control Over Compliance Identified)**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on Compliance

We have audited the Housing Authority of the County of Morris's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Housing Authority of the County of Morris's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Morris's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the County of Morris's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Morris complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: June 25, 2015

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost

Year Ended December 31, 2014

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified?

_____ yes X no

Significant Deficiency(ies) identified that are
considered to be material weakness(es)?

_____ yes X none reported

Type of audit report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133

_____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Housing Choice Vouchers	\$ 5,823,509
14.872	Public Housing Capital Fund Program	\$ 328,361

Dollar threshold used to Distinguish between Type A and Type B Programs

\$ 300,000

Auditee qualified as a low-risk auditee

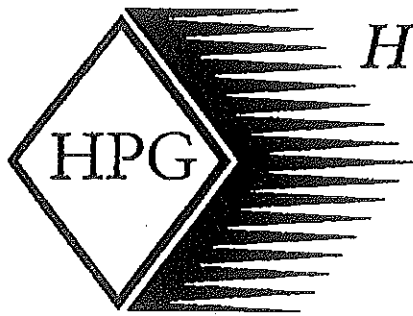
X yes _____ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Housing Authority of the County of Morris is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, by Housing Authority of the County of Morris as of and for the year ended December 31, 2014, and have issued our reports thereon dated June 24, 2015. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 31, 2014, was expressed in relation to the basic financial statements of Housing Authority of the County of Morris taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from Housing Authority of the County of Morris. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
June 25, 2015

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>